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**GULF COAST HOUSING PARTNERSHIP, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

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Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date SEP 10 2014



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**GULF COAST HOUSING PARTNERSHIP, INC.**

**CONSOLIDATED FINANCIAL STATEMENTS**

**DECEMBER 31, 2013 AND 2012**

**GULF COAST HOUSING PARTNERSHIP, INC.**

**DECEMBER 31, 2013 AND 2012**

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**Independent Auditors' Report**

The Board of Trustees  
Gulf Coast Housing Partnership, Inc.

**Report on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Gulf Coast Housing Partnership, Inc. and its subsidiaries (GCHP) (a nonprofit organization) as of December 31, 2013 and 2012, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

**Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Gulf Coast Housing Corporation, Inc. as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2014, on our consideration of GCHP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the GCHP's internal control over financial reporting and compliance.



Metairie, Louisiana  
April 28, 2014

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2013 AND 2012

	<u>Assets</u>	<u>2013</u>	<u>2012</u>
Current assets			
Cash and cash equivalents	\$	3,056,911	\$ 2,634,054
Receivables		1,269,716	1,124,334
Prepays		209,052	136,339
Restricted cash and cash equivalents		2,190,858	1,647,517
Total current assets		<u>6,726,537</u>	<u>5,542,244</u>
Restricted cash and cash equivalents		<u>17,116,436</u>	<u>7,977,355</u>
Real estate held for development and sale		<u>7,805,395</u>	<u>9,378,309</u>
Property and equipment			
Property and equipment, net of accumulated depreciation		53,549,509	41,122,325
Construction in progress		6,145,368	1,194,433
Total property and equipment, net of accumulated depreciation		<u>59,694,877</u>	<u>42,316,758</u>
Other assets		1,318,654	797,372
Investment in partnerships		1,214,613	1,171,617
Developer fee receivable		1,367,449	1,316,204
Notes receivable		<u>10,726,975</u>	<u>4,617,612</u>
Total assets	\$	<u>\$ 105,970,936</u>	<u>\$ 73,117,471</u>
 <u>Liabilities and Net Assets</u>			
Current liabilities			
Accounts payable	\$	49,961	\$ 118,378
Current maturities of long-term debt		1,354,814	26,962
Construction loans payable		7,506,171	-
Construction costs payable		3,045,330	3,216,170
Management fees payable-related party		98,905	98,806
Other payables		285,993	143,119
Total current liabilities		<u>12,341,174</u>	<u>3,603,435</u>
Long-term liabilities			
Deferred revenue		4,566,112	2,710,719
Other long-term payable		285,271	528,578
Long-term debt, less current maturities		61,830,404	46,459,078
Total long-term liabilities		<u>66,681,787</u>	<u>49,698,375</u>
Total liabilities		<u>79,022,961</u>	<u>53,301,810</u>
Net assets			
Unrestricted:			
GCHP		19,581,414	17,129,365
Non-controlling interests in subsidiaries		5,792,346	2,020,078
Total unrestricted net assets		25,373,760	19,149,443
Temporarily restricted		1,574,215	666,218
Net assets		<u>26,947,975</u>	<u>19,815,661</u>
Total liabilities and net assets	\$	<u>\$ 105,970,936</u>	<u>\$ 73,117,471</u>

The accompanying notes are an integral part of these consolidated statements.

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
**FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012**

	2013			2012		
	Unrestricted	Temporarily restricted	Total	Unrestricted	Temporarily restricted	Total
Support and revenue:						
Contributions, donations, and grants	\$ 1,143,525	\$ 1,000,000	\$ 2,143,525	\$ 1,165,125	\$ -	\$ 1,165,125
Development fees	1,823,805	-	1,823,805	1,902,072	-	1,902,072
Property operations rental income	1,510,355	-	1,510,355	846,891	-	846,891
Federal grants	1,320,980	-	1,320,980	1,942,833	-	1,942,833
Forgiveness of debt	745,314	-	745,314	995,314	-	995,314
Interest income	286,894	-	286,894	200,491	-	200,491
Management fees	175,147	-	175,147	158,979	-	158,979
Rental income	46,311	-	46,311	14,825	-	14,825
Interest income on cash and cash equivalents	31,083	-	31,083	15,029	-	15,029
Gain on disposition	25,441	-	25,441	-	-	-
Miscellaneous revenue	2,364	-	2,364	465	-	465
Net assets released from restrictions	92,003	(92,003)	-	245,958	(245,958)	-
Total support and revenue	7,203,222	907,997	8,111,219	7,487,982	(245,958)	7,242,024
Expenses:						
Salaries and benefits	1,677,609	-	1,677,609	1,539,126	-	1,539,126
Depreciation and amortization	1,201,339	-	1,201,339	838,133	-	838,133
Property operating expense	1,482,083	-	1,482,083	750,359	-	750,359
Interest expense	498,149	-	498,149	738,933	-	738,933
Administrative	302,615	-	302,615	752,866	-	752,866
Incentive management fee	98,905	-	98,905	98,806	-	98,806
Property taxes and insurance	65,485	-	65,485	54,339	-	54,339
Rent	-	-	-	10,125	-	10,125
Total expenses	5,326,185	-	5,326,185	4,782,687	-	4,782,687
Change in net assets	1,877,037	907,997	2,785,034	2,705,295	(245,958)	2,459,337
Net assets at beginning of year	19,149,443	666,218	19,815,661	14,827,743	912,176	15,739,919
Non-controlling members' contributions to subsidiaries	4,347,280	-	4,347,280	1,616,405	-	1,616,405
Net assets at end of year	\$ 25,373,760	\$ 1,574,215	\$ 26,947,975	\$ 19,149,443	\$ 666,218	\$ 19,815,661

The accompanying notes are an integral part of these consolidated statements.

GULF COAST HOUSING PARTNERSHIP, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Changes in net assets	\$ 2,785,034	\$ 2,459,337
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Depreciation	1,148,949	781,846
Forgiveness of debt	(745,314)	(995,314)
Amortization of deferred fees	52,390	56,287
Donated property	-	(301,500)
Changes in operating assets and liabilities:		
Increase in receivables	(484,782)	(310,449)
(Increase) decrease in developer fee receivable	(51,245)	516,936
(Increase) in prepaids	(72,713)	(101,372)
(Decrease) in accounts payable	(68,417)	(113,512)
Increase (decrease) in deferred revenue	1,855,393	(675,365)
(Decrease) increase in other payables	(100,433)	409,995
Increase in management fees payable	99	312
Net cash provided by operating activities	<u>4,318,961</u>	<u>1,727,201</u>
Cash flows from investing activities:		
Purchases of real estate, property, and equipment	(17,124,994)	(13,668,107)
Funds advanced on notes receivable	(6,109,363)	(2,567,612)
Investment in McCaleb Supportive Housing L.L.C.	(42,996)	(784,546)
Net cash used in investing activities	<u>(23,277,353)</u>	<u>(17,020,265)</u>
Cash flows from financing activities:		
Proceeds from notes payable	38,803,470	15,593,398
Payments on notes payable	(13,852,283)	(11,267,429)
Contributions from non-controlling interests	4,347,280	1,616,405
Deferred fees paid	(234,796)	(360,688)
Payment of other assets related to loan costs	-	(34,311)
Net cash provided by financing activities	<u>29,063,671</u>	<u>5,547,375</u>
Net increase (decrease) in cash and cash equivalents	10,105,279	(9,745,689)
Cash and cash equivalents at beginning of year	<u>12,258,926</u>	<u>22,004,615</u>
Cash and cash equivalents at end of year	<u>\$ 22,364,205</u>	<u>\$ 12,258,926</u>
Supplemental Disclosure of Cash Flow Information:		
Donation of land and property	\$ -	\$ 301,500
Cash paid for interest	<u>\$ 608,323</u>	<u>\$ -868,077</u>
<u>Reconciliation to Statements of Financial Position</u>		
Cash and cash equivalents for cash flow statement include:		
Cash and cash equivalents	\$ 3,056,911	\$ 2,634,054
Restricted cash	19,307,294	9,624,872
	<u>\$ 22,364,205</u>	<u>\$ 12,258,926</u>

The accompanying notes are an integral part of these consolidated statements.



GULF COAST HOUSING PARTNERSHIP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

(1) Summary of Significant Accounting Policies

(a) History and Organization

Gulf Coast Housing Partnership, Inc. ("GCHP") is a non-profit organization organized under the laws of the State of Delaware to acquire, own, develop, hold, sell, lease, transfer, exchange, operate and manage all types of real estate projects, including any buildings and other improvements especially in the Gulf South region that were affected by Hurricanes Katrina and Rita; to foster and stimulate economic development; and to play a key role in developing a new institutional infrastructure through which long-term, affordable housing in the Gulf South can be successfully produced, owned and operated.

These financial statements have been consolidated to include all accounts of Gulf Coast Housing Partnership, Inc. and its subsidiaries.

The following are wholly owned subsidiaries that are disregarded for income tax purposes:

Gulf Coast Housing Partnership, L.L.C.	GCHP-1409 OCH, L.L.C.
GCHP-NDF, L.L.C.	1122 OCH, L.L.C.
GCHP-Venus Gardens, L.L.C.	King Rampart L.L.C.
GCHP-Scott, L.L.C.	GCHP-Andrew L.L.C.
OSBR Land, L.L.C.	GCHP-Canal, L.L.C.
GCHP-Hammond, L.L.C.	GCHP-Westwego, L.L.C.
GCHP-Jericho, L.L.C.	GCHP PolyBar, L.L.C.
GCHP-Esplanade, L.L.C.	1840 Baronne L.L.C.
GCHP-Spanish Town, L.L.C.	GHCP-MLK Development, L.L.C.
GCHP Gert Town, L.L.C.	GCHP-German Schoolhouse, L.L.C.*
GCHP-Jefferson Davis GP, LLC*	GCHP-Jefferson Davis, L.L.C.*
GCHP-Management, L.L.C.	

The following are wholly owned subsidiaries that are for profit entities:

GCHP-Muses, L.L.C.	GCHP-Elysian, L.L.C.
GCHP-PolyBar Owner, L.L.C.*	

The following entities have been consolidated based on GCHP's ownership percentage:

99% of GCHP-Mid City GP, L.L.C.	99% of GCHP-1854 GP, L.L.C.
89% of GCHP-PolyBar, L.L.C.	79% of GCHP-Claiborne MM, L.L.C.
52% of GCHP-One Stop, L.L.C.	51% of Midtown Land, L.L.C.
51% of Village at the Beverly GP, LLC*	51% of GCHP-Sacred Heart MM, L.L.C.*
51% of West-Millsaps GP, L.L.C.*	51% of West-Millsaps, L.L.C.
51% of Gert Town Partnership for Progress, L.L.C.	51% of Village at the Beverly, L.L.C.*
	51% of GCHP-Sacred Heart, L.L.C.

\* Denotes entity was formed in 2013.

GULF COAST HOUSING PARTNERSHIP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

(1) Summary of Significant Accounting Policies (continued)

(a) History and Organization (continued)

The following partnerships have been consolidated based on GCHP's effective control as managing member:

.01% of GCHP-1610 OCH, L.L.C.	.01% of GCHP-MLK, L.L.C.
.01% of GCHP-Mid City, L.L.C.	.01% of 1854 North Street, L.L.C.
.01% of GCHP-Claiborne, L.L.C.	

Other partnership interests are as follows:

50% of Elysian Manager, L.L.C.	50% of McCaleb Supportive Housing, L.L.C.
.005% of The Elysian, L.L.C.	.005% The Muses LTD 1

Elysian Manager L.L.C. and McCaleb Supportive Housing, L.L.C. are accounted for as equity method investments. The Elysian, L.L.C. and The Muses LTD 1 are carried at cost.

All significant inter-company accounts and transactions have been eliminated.

(b) Financial Statement Presentation

The consolidated financial statements of GCHP are presented on the accrual basis of accounting. Financial presentation follows non-profit accounting in which GCHP is required to report information regarding its financial position and activities according to three classes of net assets:

- Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.
- Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met either by actions of GCHP and/or the passage of time.
- Permanently restricted net assets - Net assets subject to donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled and removed by actions of GCHP pursuant to those stipulations. GCHP has no permanently restricted net assets.

(c) Uses of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include the useful lives and valuation of land, buildings and the valuation of receivables. The current economic environment has increased the degree of uncertainty inherent in those estimates and assumptions.

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**(1) Summary of Significant Accounting Policies (continued)**

**(d) Cash and Cash-Equivalents**

For the purposes of the Consolidated Statements of Cash Flows, cash and cash equivalents include cash demand deposits and all highly liquid debt instruments with an original maturity of three months or less.

**(e) Receivables**

Receivables are charged to bad debt when they are deemed uncollectible. As of December 31, 2013 and 2012, management deemed that no allowance for uncollectible accounts was necessary.

GCHP uses the direct write off method to provide for uncollectible accounts. Use of this method does not result in a material difference from the valuation method required by accounting principles generally accepted in the United States of America.

**(f) Promises to Give**

Unconditional promises to give are recognized as revenues in the period the promise is received and as assets, decreases of liabilities, or expenses depending on the form of the benefits received. Conditional promises to give are recognized only when the conditions on which they depend are substantially met and promises become unconditional. As of December 31, 2013 and 2012, GCHP had no unconditional promises to give recorded in receivables.

**(g) Amortization of Deferred Fees**

Loan fees paid in connection with securing the financing of a property are amortized on a straight-line basis over the term of the respective loan. Mortgage costs are amortized over the term of the permanent mortgage loan using the straight-line method. Tax credit costs are amortized over the tax credit period using the straight-line method. Accumulated amortization as of December 31, 2013 and 2012 was \$181,019 and \$137,432, respectively. Amortization expense was \$52,385 and \$56,287 for the years ended December 31, 2013 and 2012, respectively.

**(h) Property and Equipment**

Property and equipment are recorded at acquisition or construction costs and are depreciated on a straight-line basis over their estimated useful life of 20 to 40 years for buildings and improvements and 3 to 10 years for furniture, equipment, and fixtures. Items which are contributed are recorded at fair value. Maintenance and repairs are expensed as incurred and major improvements are capitalized. When items of equipment are sold or retired, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is included in the Consolidated Statements of Activities.

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**(1) Summary of Significant Accounting Policies (continued)**

**(h) Property and Equipment (continued)**

Impairment of long-lived assets is tested whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. The carrying value of a long-lived asset is considered impaired when the anticipated undiscounted cash flows from such asset is separately identifiable and is less than its carrying value. In that event, a loss is recognized based on the amount by which the carrying value exceeds the fair market value of the long-lived asset. Fair market value is determined primarily using appraisals. Losses on long-lived assets to be disposed of are determined in a similar manner, except that fair market values are reduced for the estimated cost to dispose. There were no impairments of long-lived assets recorded by management during the years ended December 31, 2013 and 2012.

**(i) Tax Exempt Status**

Gulf Coast Housing Partnership, Inc. has previously received notice from the Internal Revenue Service of exemption from income tax under Section 501(c)(3) of the Internal Revenue Code ("IRC"). GCHP is not considered a private foundation under Section 509(a) of the IRC of 1986. As such, donors are entitled to a charitable deduction for their contributions.

Management has reviewed all of the entities where GCHP has an ownership interest for any potential tax effects as of December 31, 2013 and 2012; GCHP has determined that no tax expense or tax liability should be provided for in the consolidated financial statements of GCHP.

GCHP applies a "more-likely-than-not" recognition threshold for all tax uncertainties. This approach only allows the recognition of those tax benefits that have a greater than 50 percent likelihood of being sustained upon examination by the taxing authorities. As a result of implementing this approach, GCHP has reviewed its tax positions and determined there were no outstanding, or retroactive tax positions with less than a 50% likelihood of being sustained upon examination by the taxing authorities, therefore the implementation of this standard has not had a material effect on GCHP. GCHP's tax returns for the years ended December 31, 2012, 2011 and 2010 remain open and subject to examination by taxing authorities. GCHP's tax return for the year ended December 31, 2013 has not yet been filed.

**(j) Real Estate Development**

GCHP capitalizes project costs which include acquisition and predevelopment, (real estate held for development and sale) and construction costs, property taxes and insurance incurred as part of construction-in-progress (construction in progress) for each of its projects. GCHP also capitalizes interest charges from debt related to these specific projects. Interest capitalized was \$291,422 and \$141,318 for the years ended December 31, 2013 and 2012, respectively. When projects are sold, the related cost and accumulated depreciation as applicable are removed from the accounts; any gain or loss is included in the Consolidated Statements of Activities.

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**(1) Summary of Significant Accounting Policies (continued)**

**(k) Revenue Recognition**

Grant revenues are recognized when allowable expenditures are incurred under such agreements and contracts. Advance payments are recorded as deferred revenue.

Development fee revenue is recognized when contractual obligations have been fulfilled and the fees are received or otherwise deemed collectible.

Rental income is recognized as rentals become due. Rental payments received in advance are deferred until earned. All leases between GCHP and the tenants of the property are operating leases. Tenant rent charges for the current month are due on the first of the month. Tenants who are evicted or move out are charged with damages or cleaning fees, if applicable. Tenant receivable consists of amounts due for rental income, other tenant charges and charges for damages and cleaning fees in excess of forfeited security deposits. GCHP does not accrue interest on the tenant receivable balances.

**(l) Deferred Revenue**

Included in deferred revenue are recoverable grants totaling \$650,000 and \$1,283,496 and deferred development fees of \$3,898,842 and \$1,364,188 at December 31, 2013 and 2012, respectively. Recoverable grants are amounts that are contractually due back to the grantor after a specified time period. Development fees are deferred based on either the contractual agreement for a respective project or deferred because of GCHP's revenue recognition policy. At December 31, 2013 and 2012, development fees deferred based on contractual agreements were \$748,205 and \$553,325 and development fee revenue deferred due to GCHP's revenue recognition policy were \$3,114,637 and \$810,683, respectively.

**(2) Concentration of Credit Risk**

Financial instruments that potentially subject GCHP to credit risk include cash deposits in excess of federally insured limits. As of December 31, 2013 and 2012, GCHP had \$15,809,831 and \$1,982,063, respectively, in uninsured balances, of which \$11,578,200 are subject to lender restrictions at December 31, 2013. Consistent with GCHP's policy to insure, where possible, liquid balances, approximately \$11,023,597 of these uninsured balances at December 31, 2013 are temporary and are expected to be drawn down or otherwise insured within the next year.

During the years ended December 31, 2013 and 2012, GCHP received 56% and 54% of its contributions, donations, grants and federal grants from three and two contributors, respectively. The support from these contributors for 2013 and 2012 was for project specific subsidies and did not impact GCHP's ability to continue to function at its current level of operations.

**(3) Restricted Cash and Cash Equivalents**

GCHP maintains restricted cash accounts as required by grant and loan agreements. Restricted cash available to pay current liabilities is classified under current assets. The increase in non-current restricted cash from the prior year is due to \$10,276,018 of loan proceeds received in 2013 and held in bank accounts at year end. The balances of these accounts totaled \$9,813,931 in restricted cash and cash equivalents at December 31, 2013.

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**(4) Property and Equipment**

Property and equipment is summarized as follows at December 31:

	2013	2012
Land, lots, and improvements	\$ 4,736,440	\$ 4,227,503
Construction in progress	6,145,368	1,194,433
Buildings	49,819,364	37,036,753
Furniture, equipment, and fixtures	1,503,524	1,238,298
	62,204,696	43,696,987
Less : Accumulated depreciation	(2,509,819)	(1,380,229)
	<u>\$ 59,694,877</u>	<u>\$ 42,316,758</u>

Substantially all property and equipment is pledged as collateral on long-term debt.

Depreciation expense was \$1,148,954 and \$781,846 for the years ended December 31, 2013 and 2012, respectively.

**(5) Notes Receivable**

Details of notes receivable are as follows as of December 31:

	2013	2012
The Elysian, L.L.C. - (East Baton Rouge Parish Redevelopment funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	\$ 841,100	\$ 757,000
The Elysian, L.L.C. - (Office of Community Development funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	3,800,000	587,963
The Elysian, L.L.C. - (Louisiana Housing Finance Agency funds) note receivable with interest rate at 0% per annum; principal is due April 31, 2052. The note is secured by real estate.	1,935,619	456,821
Reconcile New Orleans, Inc. - (Health and Human Services funds) note receivable with interest rate at 0% per annum; principal is due December 31, 2041. The note is secured by real estate.	765,828	765,828
The Muses Ltd 1 - (HOME funds) note receivable with interest rate at 2.75% per annum; principal and accrued interest are due May 31, 2026. The note is secured by real estate, but is subordinate to mortgages held by CUB, OCD (State of LA), and CNO.	2,000,000	2,000,000

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

(5) Notes Receivable (continued)

	2013	2012
The Muses Ltd 1 - (Enterprise funds) note receivable with interest rate at 0% per annum; principal is due at the earlier of the sale and/or the refinancing of The Muses Ltd 1 or October 1, 2039.	\$ 50,000	\$ 50,000
McCaleb Supportive Housing - note receivable with interest rate at 5% per annum; principal and accrued interest are due at June 17, 2026. The note is secured by real estate.	193,152	-
3222 Canal Apartments - (HOME funds) note receivable with interest rate at 0% per annum; principal is due 15 years subsequent to the completion of construction of the apartment building. Construction is expected to be completed in 2014. The note is secured by real estate.	418,153	-
NBC USA Housing - 1840 Baronne - note receivable with interest rate at 6% per annum (imputed interest is insignificant); principal and accrued interest are due on February 13, 2017. The note is secured by real estate.	93,637	-
GCHP-Housing Finance - note receivable with interest rate at 0% per annum (imputed interest is insignificant); principal and accrued interest are due June 27, 2023. Note is secured by security interest in the leverage loan to GCHP-PolyBar, L.L.C. project.	629,486	-
Total notes receivables	10,726,975	4,617,612
Less current maturities	-	-
Total notes receivable, less current portion	<u>\$ 10,726,975</u>	<u>\$ 4,617,612</u>

Accrued interest receivable on the above notes totaled \$249,073 and \$190,244 as of December 31, 2013 and 2012, respectively.

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**(6) Long-Term Debt**

Notes payable are generally non-recourse and secured by the respective properties unless otherwise noted. Details of long-term debt are as follows as of December 31:

<u>Corporate Debt</u>	<u>2013</u>	<u>2012</u>
Unsecured acquisition/predevelopment/development loans, bearing interest from 1% to 4.5%, with interest-only payments due monthly/semi-annual/quarterly, to be repaid in full at maturity at various dates through 2023. Interest expense was \$158,515 and \$133,583 in 2013 and 2012, respectively.	\$ 12,350,000	\$ 6,650,000
Unsecured initial capitalization loan bearing interest at 2%, payable annually, with entire principal to be repaid in full on June 16, 2016. Interest expense was \$40,000 and \$40,000 in 2013 and 2012, respectively.	2,000,000	2,000,000
Secured, recourse lines of credit, totaling \$8,000,000 of available credit for predevelopment/construction financing, bearing interest from 2.704% to 5.75% payable monthly, with entire principal to be repaid in full at maturity at various dates through 2018. Interest expense was \$63,984 and \$171,096 in 2013 and 2012, respectively.	1,300,000	2,694,422
State agency loan designated for passthrough construction funding, bearing 0% interest, forgivable or assignable at the end of the five year compliance period, beginning upon meeting occupancy requirements for the property. In the event of non-compliance, maturity dates range from 2026 to 2047.	3,800,000	587,963
Secured, working capital line of credit of \$1,500,000, bearing interest at 1.25% in excess of monthly LIBOR payable monthly, with entire principal to be repaid in full on 8/1/2016. This line was entered into in 2013 and there was no interest expense incurred during the year ended December 31, 2013.		
Unsecured, property specific gap financing loan, bearing interest at 1% payable semi-annual, to be repaid in full at April 30, 2016. Interest expense was \$1,000 and \$1,000 in 2013 and 2012, respectively.		
	100,000	100,000
Total corporate debt	<u>19,550,000</u>	<u>12,032,385</u>



**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**(6) Long-Term Debt (continued)**

<u>Partnership Debt</u>	<u>2013</u>	<u>2012</u>
Permanent, secured conventional loans, bearing interest from 4.25% to 7.25%, generally with principal and interest due monthly, to be repaid in full at various dates through 2033. Interest expense was \$92,366 and \$98,603 in 2013 and 2012, respectively.	\$ 1,663,619	\$ 1,438,797
State agency loans, bearing 0% interest, forgiven during the compliance period or forgivable or assignable at the end of the compliance period ranging from 5 to 20 years, beginning upon issuance of the conversion certificate or meeting occupancy requirements for the property. In the event of non-compliance, maturity dates range from 2026 to 2047.	11,653,841	11,293,896
State agency loans, bearing interest from 0% to 2%, principal and interest payments are payable from property cash flow. Interest expense was \$20,000 and \$20,055 for 2013 and 2012, respectively.	14,954,881	14,447,527
Partner loan from pass through rehabilitation financing, bearing interest at 4.35%, with interest and principal payable from property cash flow. Interest expense was \$16,704 and \$16,750 in 2013 and 2012,	384,000	384,000
Secured, recourse qualified low-income community investment (QLICI) loans, bearing interest from 0.7309140% to 1.80323% payable quarterly, with principal and interest payable monthly at a future date, repaid in full at various dates through 2053. Capitalized interest was \$28,208 and \$77,879 and Interest expense was \$103,866 and \$25,967 in 2013 and 2012, respectively.	14,560,000	5,760,000
Secured, recourse acquisition and construction loans, bearing interest at fixed and variable rates from monthly Libor plus 2.5% to monthly libor plus 3.5% payable monthly, with principal to be repaid in full at various dates through 2015. Capitalized interest was \$94,882 and \$11,894 and Interest expense was \$1,713 and \$0 in 2013 and 2012, respectively.	7,925,048	1,129,435
Total partnership debt	<u>51,141,389</u>	<u>34,453,655</u>
Total debt.	70,691,389	46,486,040
Less current maturities of construction loans	7,506,171	-
Less other maturities	<u>1,354,814</u>	<u>26,962</u>
Total debt, less current maturities	<u>\$ 61,830,404</u>	<u>\$ 46,459,078</u>

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**(6) Long-Term Debt (continued)**

Maturities for long-term debt for the next five years and thereafter are:

2014	\$ 8,860,985
2015	1,477,817
2016	5,811,490
2017	1,515,010
2018	1,318,617
Thereafter	20,914,748
Loans based on cash flow	15,338,881
Forgivable loans	15,453,841
	<u>\$ 70,691,389</u>

Loans based on cash flow are loans whereby interest is paid out of surplus cash or available cash flow. Forgivable loans are forgivable over time or certain milestones obtained specified by the loan agreements. Bonds payable from long-term debt represent current maturities to be paid from long-term debt secured in the current year. Transferrable loans are loans whereby the obligation terminates upon conditions met per the loan agreements.

**(7) Commitments and Contingencies**

**Debt**

GCHP is contingently liable for a construction loan to The Elysian, LLC. The loan, dated April 1, 2012, is for \$7,800,000, of which \$3,697,000 and \$2,473,544 was outstanding at December 31, 2013 and 2012, respectively. The note has an interest rate of 2.95% per annum. Interest is drawn monthly and principal is due April 1, 2014. The note is collateralized by the property owned by The Elysian, L.L.C.

GCHP is contingently liable for a construction loan to 3222 Canal Apartments, LLC. The loan, dated April 4, 2013, is for \$750,000, of which \$65,861 was outstanding at December 31, 2013. The note has an interest rate of LIBOR plus 2.5% per annum. Interest is payable monthly and principal is due October 4, 2014. The note is collateralized by the property owned by 3222 Canal Apartments, LLC.

**Tax Credits**

GCHP has entered into various guarantee agreements related to particular transactions that include completion, operating deficits and tax credit guarantees. These agreements guarantee the completion, compliance and ongoing operations of properties. GCHP could be required to fund all or a portion of any deficits or tax credit adjustments that may arise from these guarantees. In the opinion of management, GCHP does not anticipate any significant funding requirements as a result of these guarantee agreements.

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**(8) Conditional Promises to Give**

**Neighborworks America**

GCHP entered into a Memorandum of Understanding (MOU) with Neighborworks America (Neighborworks) in which both are collaborating towards the recovery from the devastation caused by Hurricane Katrina. Under this MOU, Neighborworks will contribute \$450,000 to GCHP which is disbursed as follows: \$100,000 at start up defined as approval of the subdivision by the City of Hammond Planning Commission; \$120,000 upon the sale of the 10th home and demonstration that sale prices are affordable to 120% AMI ("Average Median Income"); \$115,000 upon the sale of the 26th home and demonstration that sale prices are affordable to 120% AMI; and \$115,000 upon the sale of the 36th home and demonstration that sale prices are affordable to 120% AMI.

Neighborworks will follow through with the contribution under the condition that GCHP will develop the housing subdivision know as Phoenix Square consisting of forty-four affordable new single family residences in the City of Hammond, Louisiana with the earnings target of the AMI listed above. These funds were conditional on the above requirements, and accordingly, were not reflected as a promise to give in the consolidated financial statements. Funding is also subject to federal appropriation.

**(9) Functional Allocation of Expenses**

GCHP allocated its expenses on a functional basis for the years ended December 31 as follows:

	<u>2013</u>	<u>2012</u>
Program project services	\$ 4,618,462	\$ 4,136,814
Supporting services -		
General and administrative	707,723	645,873
Total	<u>\$ 5,326,185</u>	<u>\$ 4,782,687</u>

**(10) Related Party Transactions**

**Property acquisition**

On April 17, 2012, GCHP acquired three buildings and two land parcels from Kaliopé, L.L.C. Kaliopé, L.L.C. is a two member limited liability company, of which the President of GCHP is a member. The total fair value of the property based on the average of two independent appraisals was \$1,552,500. GCHP paid \$1,251,000 in cash and recognized a non cash donation of \$301,500 as part of contributions, donations, and grants on the statement of activities.

**Enterprise Community Partners, Inc.**

GCHP entered into a MOU with Enterprise CP. Under the MOU, at least one Board of Director's seat is designated for representatives nominated by Enterprise CP and appointed by GCHP Board of Directors. Enterprise CP may add GCHP representation in order to preserve its Board presence at 9%. The MOU was effective April 1, 2006, expired on March 31, 2009, and was replaced by the promissory note in April 2010 described in Note 5. Enterprise CP has a seat on the GCHP Board of Directors.

GULF COAST HOUSING PARTNERSHIP, INC.  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
DECEMBER 31, 2013 AND 2012

(10) Related Party Transactions (continued)

During the year ended 2013 and 2012, Enterprise CP presented GCHP with an operating grant in the amount of \$75,000 and \$45,000, respectively, which is recorded on the Consolidated Statements of Activities as grant income. Included in deferred revenue at December 31, 2012 is a \$150,000 recoverable grant which was paid in full in 2013.

The Housing Partnership Network, Inc.

During the year ended December 31, 2013, GCHP entered into a promissory note with the Housing Partnership Network, Inc (HPN). The President of HPN is a board member of GCHP. The note had an outstanding balance of \$846,317 with a 3% interest rate at December 31, 2012. The note was paid in full during 2013.

Capital Area Alliance for the Homeless

GCHP-Scott, LLC has a loan with the Capital Area Alliance for the Homeless (CAAH). CAAH is a partner in another GCHP consolidated entity. At December 31, 2013 and 2012, the outstanding balance on the loan was \$384,000 and \$384,000, respectively, and the interest rate was 4.35% for both years.

First NBC Bank

During the year ended December 31, 2013, GCHP entered into loan agreements with First NBC Bank and an affiliate of the bank. The President of First NBC Bank is Chairman of the Board of GCHP. The notes had an outstanding balance of \$9,219,421 and interest rates ranging from .73% to 4.25% at December 31, 2013.

NBC USA Housing

As disclosed in Note 5, GCHP has loaned \$93,637 to NBC USA Housing. The Chairman of the Board of NBC USA Housing is a board member of GCHP.

Incentive Management Fees

GCHP entered into an incentive management fee agreement with the Housing Partnership Network, Inc. (Network). Under the original agreement, GCHP shall pay to the Network an annual incentive management fee equal to 50% of the available cash of GCHP up to a total annual payment of \$120,000. A subsequent amendment to the original incentive management fee agreement was signed on March 31, 2010. This agreement amended the fee to be 25% of the distributable cash of GCHP. Distributable cash is defined as the fiscal year end audited unrestricted operating and reserve cash balances adjusted for year-end operating accruals in excess of \$1.2 million. Operating and reserve cash balances exclude project accounts and employee benefit accounts. The fee is subject to a 6% cumulative, non-compounding annual return based upon a presumed \$2 million investment by the Network as of June 6, 2006. The fee is non-accruing year to year unless earned and payable. GCHP accrued a fee of \$98,905 and \$98,806 for the years ended December 31, 2013 and 2012, respectively.

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**(11) Noncontrolling Interest**

The following table reconciles the changes in unrestricted net assets attributable to GCHP and the non controlling interests in less than 100% owned consolidated subsidiaries:

	Total	Controlling Interest	Noncontrolling Interest
Balance December 31, 2011	\$ 14,827,743	\$ 14,019,231	\$ 808,512
Excess of revenues over expenses	2,705,295	3,110,133	(404,838)
Contributions to subsidiary by noncontrolling shareholder	1,616,405	-	1,616,405
Change in net assets	4,321,700	3,110,133	1,211,567
Balance December 31, 2012	19,149,443	17,129,364	2,020,079
Excess of revenues over expenses	1,859,274	2,434,287	(575,013)
Contributions to subsidiaries by noncontrolling shareholders	4,347,280	-	4,347,280
Change in net assets	6,206,554	2,434,287	3,772,267
Balance December 31, 2013	\$ 25,355,997	\$ 19,563,651	\$ 5,792,346

**(12) Temporarily Restricted Net Assets and Federal Awards**

Temporarily restricted net assets are restricted by grantors for specific programs, purposes, or for use in subsequent periods. These restrictions are considered to expire when payments are made. Temporarily restricted net assets are shown in the Consolidated Statements of Financial Position as restricted cash and land. Temporarily restricted net assets are segregated based on the type of market the restriction is for, and as of December 31, 2013 and 2012, respectively, are as follows:

	2013	2012
New Orleans market, building	\$ 1,000,000	\$ -
Hammond market, land	250,056	255,042
Gulfport/Biloxi market, restricted cash	324,159	411,176
Total received in advance for future operations	\$ 1,574,215	\$ 666,218

GCHP participates in a number of state and federally-assisted grant programs. The programs are subject to compliance audits under the single audit approach. Such audits could lead to requests for reimbursement by the grantor agency for expenditures disallowed under terms of the grants. GCHP management believes that the amount of disallowances, if any, which may arise from future audits, will not be material.

**(13) Geographic Concentrations**

GCHP owns, develops, holds, sells, leases, transfers, exchanges, operates and manages all types of real estate projects, including any buildings and other improvements in the Gulf South region.

**(14) Legal Matters**

GCHP is not involved in any legal action arising in the normal course of activities.

**GULF COAST HOUSING PARTNERSHIP, INC.**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**DECEMBER 31, 2013 AND 2012**

**(15) Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, April 28, 2014, and determined that there were no subsequent events requiring disclosure except as noted below.

On April 22, 2014, GCHP borrowed \$850,000 from the Housing Partnership Network for project predevelopment activities. The note has an interest rate of 3.75%. Interest is payable monthly beginning on June 1, 2014. The note matures on April 22, 2017.

**GULF COAST HOUSING PARTNERSHIP, INC.**

**Single Audit Report**

**December 31, 2013**



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**Gulf Coast Housing Partnership, Inc.**

**Single Audit Report**

**December 31, 2013**

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL  
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS**

To the Board of Directors and Officers  
Gulf Coast Housing Partnership, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Gulf Coast Housing Partnership Inc. (a nonprofit organization) (GCHP), which comprise the consolidated statement of financial position as of December 31, 2013, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements, and have issued our report thereon dated April 28, 2014.

**Internal Control over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered GCHP's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of GCHP's internal control. Accordingly, we do not express an opinion on the effectiveness of GCHP's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether GCHP's consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink, appearing to read "P&N", is written over the name of the firm.

Metairie, Louisiana  
April 28, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB  
CIRCULAR A-133**

The Board of Directors and Officers  
Gulf Coast Housing Partnership, Inc.

**Report on Compliance for Each Major Federal Program**

We have audited Gulf Coast Housing Partnership Inc.'s (a nonprofit organization) (GCHP) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of GCHP's major federal programs for the year ended December 31, 2013. GCHP's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of GCHP's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about GCHP's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of GCHP's compliance.

**Opinion on Each Major Federal Program**

In our opinion, GCHP complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2013.

#### Report on Internal Control over Compliance

Management of GCHP is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered GCHP's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of GCHP's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

#### Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the consolidated financial statements of GCHP as of and for the year ended December 31, 2013, and have issued our report thereon dated April 28, 2014, which contained an unmodified opinion on those consolidated financial statements. Our audit was performed for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by OMB Circular A-133, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

This report is intended solely for the information and use of the Board and Officers, GCHP's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Postlethwaite & Netterville*

Metairie, Louisiana  
April 28, 2014

Gulf Coast Housing Partnership, Inc.

Schedule of Expenditures of Federal Awards

For the year ended December 31, 2013

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures	Loan Balance
<b>U.S. Department of Housing and Urban Development:</b>				
Pass-through program from: Louisiana Housing Finance Agency (LHFA) HOME Investment Partnership Program	14.239	2011-2012-25 HOME NOFA	\$ 447,525	
Pass-through program from: Louisiana Housing Finance Agency (LHFA) HOME Investment Partnership Program	14.239	2010-2011 HOME NOFA	747,484	
Pass-through program from: Enterprise Community Partners Housing and Urban Development (HUD)	14.252	12SG2083		
Pass-through program from: Enterprise Community Partners Housing and Urban Development (HUD)	14.252	13SG3074	75,000	
Pass-through program from: Housing Assistance Council PPCBI Housing and Urban Development (HUD)	14.252	unknown	15,000	
Pass-through program from: Louisiana Housing Finance Agency (LHFA) HOME Investment Partnership Program	14.239	NOFA-10-17		
Pass-through program from: Capital Area Alliance for the Homeless Supportive Housing Program (SHP)	14.235	LA0093B6H041101	20,051	
Total Federal Grant Expenditures			<u>\$ 1,305,060</u>	
<b>U.S. Department of Housing and Urban Development:</b>				
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	17RHPS1501	\$ 2,381,190	\$ 3,800,000
Pass-through program from: LRA/Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	17RHPS1505	1,167,337	1,021,159
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	OCD #23	70,763	8,035,387
Pass-through program from: Louisiana Housing Finance Agency (LHFA) HOME Investment Partnership Loan	14.239	LHGP 09-09		427,500

Gulf Coast Housing Partnership, Inc.

Schedule of Expenditures of Federal Awards (continued)

For the year ended December 31, 2013

Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name	Federal CFDA Number	Grant Number/ Pass-Through Entity Identifying Number	Federal Expenditures	Loan Balance
<b>U.S. Department of Housing and Urban Development:</b>				
Pass-through program from: Louisiana Housing Finance Agency Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.228	unknown	\$ -	\$ 1,723,937
Pass-through program from: New Orleans Redevelopment Authority Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.256	2010-NSP2-12	-	1,700,000
Pass-through program from: Louisiana Housing Finance Agency (LHFA) Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.228	RD-18	-	1,000,000
Pass-through program from: East Baton Rouge Redevelopment Authority Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	unknown	-	841,100
Pass-through program from: Louisiana Office of Community Development Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii	14.228	IG-2010-03	-	495,556
Pass-through program from: Louisiana Housing Finance Agency (LHFA) Neighborhood Stabilization Program (American Recovery and Reinvestment Act)	14.256	RD-13	-	1,000,000
Pass-through program from: Capital Area Alliance for the Homeless Supportive Housing Program	14.235	LA0093B6H040800 & LA48B704002	-	384,000
Pass-through program from: Louisiana Housing Finance Agency (LHFA) Tax Credit Assistance Program (TCAP) (American Recovery and Reinvestment Act)	14.258	09(PC)-17	-	1,000,000
Total Federal Award Loans			\$ 3,619,290	\$ 21,428,639
Total Federal Award Expenditures			\$ 4,924,350	

See accompanying notes to the schedule of expenditures of federal awards.

## **Gulf Coast Housing Partnership, Inc.**

### **Notes to Schedule of Expenditures of Federal Awards**

December 31, 2013

1. **General**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of Gulf Coast Housing Partnership, Inc. (GCHP). The GCHP reporting entity is defined in Note 1 to the consolidated financial statements for the year ended December 31, 2013. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies.

2. **Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to GCHP's consolidated financial statements for the year ended December 31, 2013.

3. **Relationship to Financial Statements**

Federal expenditures of \$4,924,350 are reported as follows:

Unrestricted federal grants	\$ 1,305,060
Long-term debt	<u>3,473,112</u>
	4,778,172
Unrecorded loan expenditures	<u>146,178</u>
Total federal expenditures	<u>\$ 4,924,350</u>

4. **Relationship to Federal Financial Reports**

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports, except for the amounts in reports submitted subsequent to December 31, 2013.

5. **Notes Payable to Federal Agencies**

GCHP received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$4,000,000 dated April 1, 2012. The note has an interest rate of 0% per annum. The note is forgivable five years after maintaining compliance with occupancy requirements. All outstanding principal shall be due and payable on April 1, 2047. The note is collateralized by real estate. The balance of \$3,800,000 and \$587,963 was outstanding as of December 31, 2013 and December 31, 2012, respectively. Federal expenditures of \$2,381,109 during the year ended December 31, 2013 were incurred under the loan agreement.



**Gulf Coast Housing Partnership, Inc.**

**Notes to Schedule of Expenditures of Federal Awards**

**December 31, 2013**

**5. Notes Payable to Federal Agencies (continued)**

GCHP- MidCity LLC, a consolidated subsidiary .01% owned by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the State of Louisiana, Office of Community Development for \$1,400,000 dated December 6, 2012. The note has an interest rate of 0% per annum. The note is forgivable five years after maintaining compliance with occupancy requirements. All outstanding principal shall be due and payable on December 5, 2047. The note is collateralized by real estate. The balance of \$1,021,159 was outstanding as of December 31, 2013. Federal expenditures of \$1,167,337 during the year ended December 31, 2013 were incurred under the loan agreement with the remaining balance of \$146,178 not yet reimbursed.

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the Louisiana Office of Community Development for \$8,101,036 dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2012 through March 31, 2046 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of \$8,035,388 and \$7,695,984 was outstanding as of December 31, 2013 and 2012, respectively. Federal expenditures of \$70,763 during the year ended December 31, 2013 were incurred under the loan agreement.

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the HOME Investment Partnership Act by entering into a promissory note with the Louisiana Housing Finance Agency for \$500,000 dated March 26, 2010. The note is to be forgiven over 20 years beginning December 31, 2011. The note has an interest rate of 0% per annum. Principal is due only upon default under the HOME Affordable Rental Housing Program Agreement. The note is collateralized by the property owned by GCHP – Scott, LLC. The balance of \$427,500 and \$452,500 was outstanding as of December 31, 2013 and 2012, respectively. Forgiveness of debt of \$25,000 was recorded on the loan during the year ended December 31, 2013.

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the Louisiana Housing Finance Agency for \$1,723,937 dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2013 through May 1, 2046 to the extent of surplus cash. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of \$1,723,937 and \$1,551,543 was outstanding as of December 31, 2013 and 2012, respectively.

GCHP – MLK, LLC, a consolidated subsidiary owned .01% by GCHP, received funding under the Neighborhood Stabilization Program by entering into a promissory note with the New Orleans Redevelopment Authority for \$1,700,000 dated March 31, 2011. The note has an interest rate of 0% per annum. Principal is due March 30, 2047. The note is collateralized by the property owned by GCHP – MLK, LLC. The balance of \$1,700,000 was outstanding as of December 31, 2013 and 2012, respectively.

**Gulf Coast Housing Partnership, Inc.**

**Notes to Schedule of Expenditures of Federal Awards**

**December 31, 2013**

**5. Notes Payable to Federal Agencies (continued)**

GCHP – One Stop, LLC, a subsidiary owned 52% by GCHP, received funding under the Neighborhood Stabilization Program by entering into a promissory note with the Louisiana Housing Finance Agency for \$1,000,000 dated July 29, 2010. The note has an interest rate of 0% per annum. Principal and interest are payable annually commencing April 1, 2012 through January 1, 2040 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of \$1,000,000 was outstanding as of December 31, 2013 and 2012.

GCHP – Elysian, LLC, a consolidated subsidiary wholly owned by GCHP, received funding the Community Development Block Grants/State's Program by entering into a promissory note with the East Baton Rouge Redevelopment Authority for \$841,100 dated April 1, 2012. The note has an interest rate of 0% per annum. The note is forgivable five years after maintaining compliance with occupancy requirements. Principal is due April 1, 2047. This note is collateralized by real estate. The balance of \$841,100 and \$757,000 was outstanding as of December 31, 2013 and December 31, 2012, respectively.

GCHP – One Stop, LLC, a subsidiary owned 52% by GCHP, received funding under the Community Development Block Grants/State's Program by entering into a promissory note with the Louisiana Office of Community Development for \$500,000 dated July 21, 2011. The note has an interest rate of 0% per annum. Principal is payable annually commencing May 1, 2012 through July 21, 2046 to the extent of surplus cash approved by the agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of \$495,556 and \$500,000 was outstanding as of December 31, 2013 and December 31, 2012, respectively.

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the Neighborhood Stabilization Program (NSP) by entering into a promissory note with the Louisiana Housing Finance Agency for \$1,000,000 dated March 26, 2010. The note has an interest rate of 2.00% per annum. Principal and interest are payable monthly commencing April 1, 2012 through April 1, 2031, to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP-Scott, LLC. The balance of \$1,000,000 was outstanding as of December 31, 2013 and 2012.

GCHP – Scott, LLC, a wholly-owned subsidiary of GCHP, received funding under the Supportive Housing Program by entering into a promissory note with the Capital Area Alliance for the Homeless for \$430,000 dated March 31, 2010. The note has an interest rate of 4.35% per annum. Principal and interest are payable monthly commencing March 31, 2012 through March 31, 2040 to the extent of net cash flow. The note is collateralized by the property owned by GCHP – Scott, LLC. The balance of \$384,000 was outstanding as of December 31, 2013 and 2012.

**Gulf Coast Housing Partnership, Inc.**

**Notes to Schedule of Expenditures of Federal Awards**

**December 31, 2013**

**5. Notes Payable to Federal Agencies (continued)**

GCHP – One Stop, LLC, a subsidiary owned 52% by GCHP, received funding under the Tax Credit Assistance Program by entering into a promissory note with the Louisiana Housing Finance Agency for \$1,000,000 dated July 29, 2010. The note has an interest rate of 0% per annum. Principal and interest are payable monthly commencing April 1, 2012 through August 1, 2050 to the extent of surplus cash approved by the Agency. The note is collateralized by the property owned by GCHP – One Stop, LLC. The balance of \$1,000,000 was outstanding as of December 31, 2013 and 2012.

**Gulf Coast Housing Partnership, Inc.**

**Schedule of Findings and Questioned Costs**

**Year ended December 31, 2013**

**Schedule I - Summary of Independent Auditors' Results**

1. Type of report issued on the financial statements. **Unmodified Opinion**
2. Did the audit disclose any material weaknesses in internal control over financial reporting? **No**
3. Did the audit disclose any significant deficiencies in internal control over financial reporting? **None reported**
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization? **No**
5. Did the audit disclose any material weaknesses in internal control over major Federal programs? **No**
6. Did the audit disclose any significant deficiencies in internal control over major programs? **None reported**
7. Type of report issued on compliance for major programs. **Unmodified**
8. Did the audit disclose any audit findings which the independent auditor is required to report under OMB Circular A-133, Section 510(a)? **No**
9. The following is an identification of major programs:
  - United States Department of Housing and Urban Development
    - CFDA No. 14.228 – Passed through the Louisiana Housing Finance Agency (LHFA) Community Development Block Grants/State's Program and Non-entitlement Grants in Hawaii
10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was **\$300,000**.
11. Did the auditee qualify as a low risk auditee under OMB Circular A-133, Section 530? **Yes**

**Schedule II - Financial Statement Findings**

None noted

**Schedule III - Federal Award Findings**

None noted